

EXECUTIVE SUMMARY

Tobacco Loan Stock Disposition

July 13, 2006

Title VI of the America Jobs Creation Act of 2004 (the 2004 Act) terminates the tobacco marketing quota and price support loan programs effective with the 2005 marketing year. Section 641 of the 2004 Act sets forth the procedure for liquidation of existing Commodity Credit Corporation (CCC) tobacco price support loans. The following actions were taken to liquidate CCC loans in regard to disposition of tobacco loan inventories and disburse any remaining No-Net-Cost (NNC) funds to the Tobacco Loan Associations (associations) for distribution to its producers.

Between March 10, 2005 and April 13, 2005, CCC entered into "Association Service Agreements" (ASA) with eight of the nine tobacco loan associations to handle CCC-owned tobacco that might be acquired as a result of the 2004 Act. Wisconsin Cooperative Tobacco Growers Association did not have any tobacco under loan so an ASA was not necessary.

Between March 21, 2005 and July 1, 2005, CCC called the loans of nine associations valued at \$981,465,613.20 (principal plus interest) and took possession of 279,444,399 million pounds of tobacco. Between March 24, 2005 and July 5, 2005, CCC released 164,984,282 million pounds of the 279,444,399 million pounds to the associations based on the approved list prices (*See tables in the final "Tobacco Reconciliation Document" for loan sales value/approved list prices by association, grade and pound*) that were in effect on October 22, 2004, when the 2004 Act became effective. Association's NNC funds totaling \$394,692,698.75 and Importer NNC totaling \$89,870,404.79 was used to release these pounds to the associations at an average list price of \$2.93 per pound. This left CCC with 114,460,117 million pounds to dispose of through sales.

Between March 25, 2005 and July 28, 2005, CCC offered for sale 72,992,872 million pounds of flue-cured, 39,130,263 million pounds of burley, 2,067,091 million pounds of fire-cured and 269,891 thousand pounds of air-cured tobacco for a total of 114,460,117 million pounds. Total proceeds from the sale of these CCC owned tobacco inventories amounted to \$205,563,363.65 at an average of \$1.84 per lb.

Subtracting the NNC funds and sales proceeds totaling \$484,563,103.54 from the inventory value (total debt to CCC) of \$981,465,613.20, leaves CCC with a remaining balance from the called loans of \$496,902,509.66.

After applying the \$205,563,363.65 from the sale of CCC owned tobacco inventories towards the remaining debt of \$496,902,509.66, CCC incurred a loss of \$291,339,146.01.

Attached to this Executive Summary is a table which gives more detail broken down by associations and type of tobacco.